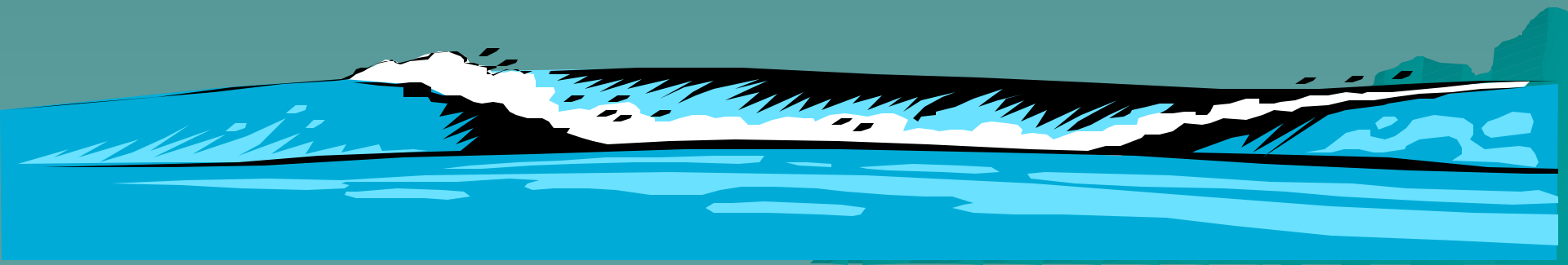


How to Make Sense of the Debt Issuance Process and Your Role in the Process – Issuer Perspectives

Mary Vattimo – City of San Diego
Jay Goldstone – City of Pasadena

A stylized, dark teal silhouette of a mountain range is positioned in the bottom right corner of the slide, extending from the right edge towards the center.

SAN DIEGO

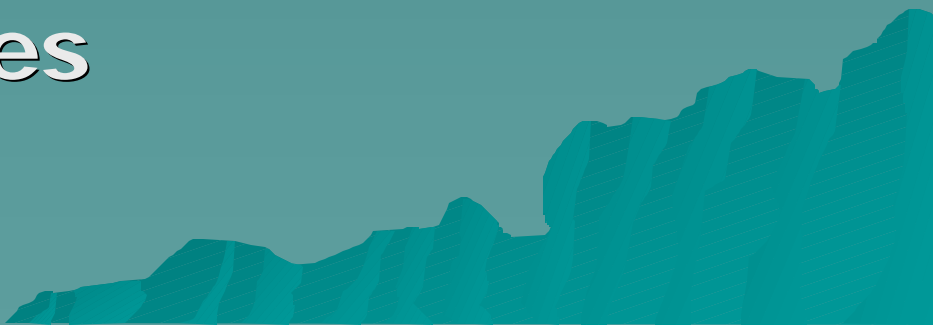


San Diego Vitals

- ◆ Population of 1.3 million
 - ◆ 330 square miles
 - ◆ Seventh largest city in the US
 - ◆ Second largest city in California
- 
- A stylized, dark teal silhouette of a mountain range is positioned in the bottom right corner of the slide, partially overlapping the text area.

Finances

General Fund Budget of \$743.0 million for Fiscal Year 2004. Major Funding Sources:

- ◆Property Tax
 - ◆Sales Tax
 - ◆Vehicle License Fee
 - ◆Transient Occupancy Tax
 - ◆Franchise Fees
- 
- A stylized, dark teal silhouette of a mountain range is positioned in the bottom right corner of the slide, extending from the right edge towards the center.

PASADENA



Pasadena's Vitals

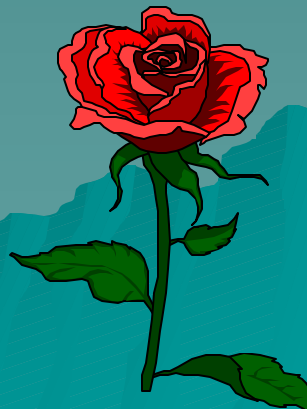
- ◆ Population of 142,000
- ◆ 23 square miles
- ◆ Medium size city
- ◆ Fuller service city



Finances

General Fund Budget of \$172.1 million
for Fiscal Year 2004. Major Funding
Sources:

- ◆Property Tax
- ◆Sales Tax
- ◆Utility Users Tax
- ◆Fees for Services
- ◆Inter-fund Transfers




The Issuer

- ◆ City
 - ◆ County
 - ◆ Special District
 - ◆ Joint Powers Authorities (JPA's)
 - ◆ Assessment/ Community Facilities Districts/Mello-Roos Districts
- 
- A stylized, dark teal silhouette of a mountain range is positioned in the bottom right corner of the slide, partially overlapping the bottom edge of the text area.

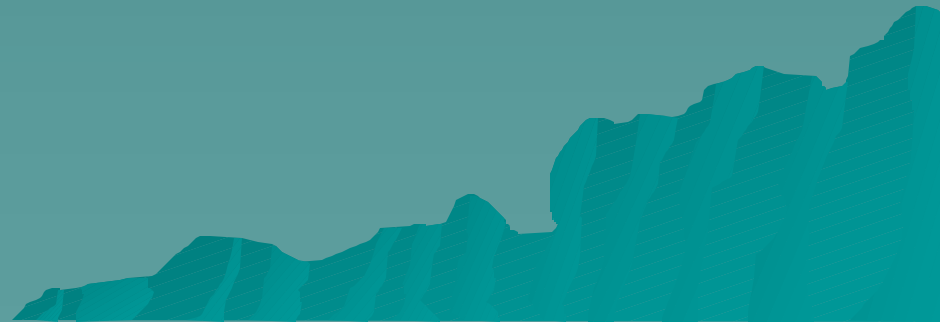
Your Role

- ◆ The orchestra leader
- ◆ The city representative
- ◆ The one left picking up the pieces

Be An Active Participant

- ◆ Attend every meeting
 - ◆ Read all the documents
 - ◆ Ask questions
 - ◆ Be ready to present the deal
- 
- A stylized, dark teal silhouette of a mountain range is positioned in the bottom right corner of the slide, partially overlapping the text of the last bullet point.


DECISIONS TO BE MADE



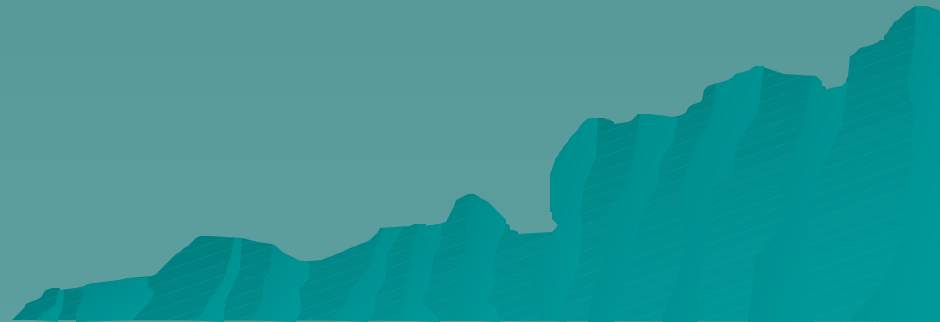
Should You Even Issue?

- ◆ "Pay As You Go"
- ◆ "Pay As You Use"


Prioritization of Projects

- ◆ What are your capital improvement needs?
 - ◆ What can be cash funded?
 - ◆ What needs to be financed?
 - ◆ Which projects are most critical?
 - ◆ What can you afford?
 - ◆ What's coming down the road?
- 
- A stylized, dark teal silhouette of a mountain range is positioned in the bottom right corner of the slide, partially overlapping the bottom edge of the list.

So You Have
Decided To Issue
Bonds – Now What?



Selecting Your Team

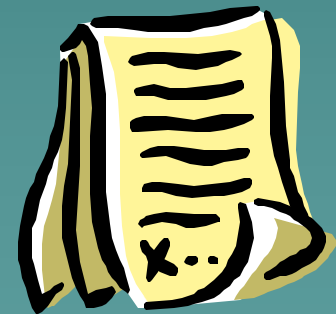
- ◆ Financial Advisor and/or Underwriter
 - ◆ Bond Counsel
 - ◆ Disclosure Counsel or Underwriter Counsel
 - ◆ Trustee and/or Paying Agent
 - ◆ Credit Enhancement Provider
- 
- A stylized, dark teal silhouette of a mountain range is positioned in the bottom right corner of the slide, partially overlapping the list items.

Selecting Your Team (cont.)


- ◆ Verification Agent
 - ◆ Special Tax Consultant
 - ◆ Printer
 - ◆ Dissemination Agent
 - ◆ GLC Broker
 - ◆ THE ISSUER
- 
- A stylized, dark teal silhouette of a mountain range is positioned in the bottom right corner of the slide, partially overlapping the bottom edge of the text area.

Request For Proposal Or Not?


- ◆ Formalized Process
- ◆ Certifies Fairness
- ◆ Ensures Future Accountability



CONSULTANT CRITERIA

- ◆ Experience
 - ◆ Certifications
 - ◆ Distribution & Capitalization Strength
 - ◆ Qualification of Key Personnel
 - ◆ Familiarity with the City
 - ◆ References
 - ◆ Accessibility
 - ◆ Compliance with Equal Opportunity
 - ◆ Reasonableness of Fees
 - ◆ Grievance History
- 
- A stylized, dark teal silhouette of a mountain range is positioned in the bottom right corner of the slide, partially overlapping the list items.

SET TEAM GOALS

- ◆ Minimize financing costs
 - ◆ Minimize/manage risk
 - ◆ Match debt service to municipal cashflow
 - ◆ Maximize borrowing capacity
 - ◆ Maximize flexibility
- 
- A stylized, dark teal silhouette of a mountain range is positioned in the bottom right corner of the slide, partially overlapping the text of the last two bullet points.

Structuring the Transaction

- ◆ Length of financing
 - Federal tax law limits
 - ◆ Cannot exceed 120% of useful life
 - State law considerations
 - ◆ Statutory terms
 - ◆ Case law—e.g., lease securing certificates of participation cannot exceed useful life


Structuring the Transaction

(cont.)


◆Credit considerations

- Rating agencies tend to prefer more rapid amortization of debt.

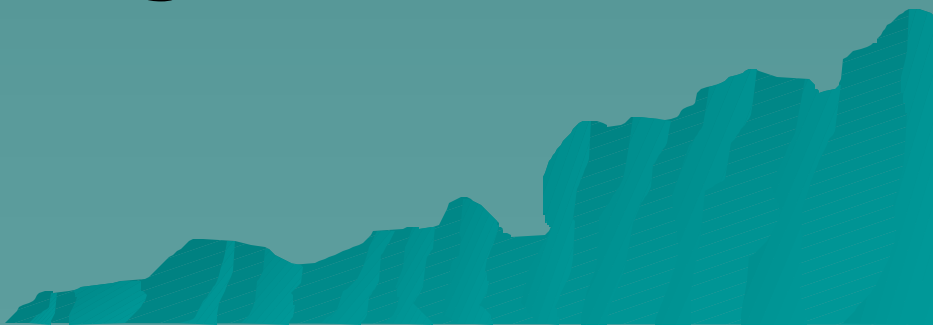
◆Local Considerations

- Charters or local ordinances may restrict options
 - Tax rate management
 - Policy considerations
 - Rebate versus Penalty
- 


Other Key Decisions/Actions

- ◆ Negotiated vs. Competitive
 - ◆ Establish a Timeline
 - ◆ Prepare Bond Documents
 - ◆ Structure Payments
 - ◆ Bond Financials
 - ◆ Assess Credit Enhancement Needs
 - ◆ Special Considerations
- 
- A stylized, dark teal silhouette of a mountain range is positioned in the bottom right corner of the slide, partially overlapping the bottom edge of the list.

Market Issues

- ◆ Preliminary and Official Statements
 - ◆ Credit Enhancement
 - ◆ Compare Issues
 - ◆ Market Timing
 - ◆ Marketing
- 
- A stylized, dark teal silhouette of a mountain range is located in the bottom right corner of the slide, partially overlapping the bottom edge of the list.

Pricing and Cost of Issuance

- ◆ Review of recent comparable issues
 - ◆ Pre-marketing activities
 - ◆ Actively participate in pricing process
 - ◆ Understand marketing approach
- 
- A stylized, dark teal silhouette of a mountain range is positioned in the bottom right corner of the slide, partially overlapping the bottom edge of the text area.

Post Issuance Administration

- ◆ Bond Payments
- ◆ Continuing Disclosure
- ◆ Accounting for the Transaction
- ◆ Monitor for Refunding and Call Opportunities

QUESTIONS

Brilliantly Answered

